57th Report

LIQUOR CONTROL BOARD OF ONTARIO

APRIL 1, 1982
to MARCH 31, 1983

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APRIL 1, 1982
to MARCH 31, 1983

Formed in 1927, the Liquor Control Board of Ontario was incorporated as a Crown Corporation under The Liquor Control Act, 1975. The Board regulates the sale and transportation of liquor throughout the province and establishes stores for the sale of liquor to the public. Also, it purchases products for sale to the public and maintains quality control over those products.

Liquor Control Board of Ontario
55 Lake Shore Boulevard East
Toronto, Ontario
M5E 1A4

Ontario

Highlights

	1983	1982	1981
	($000)	($000)	($000)
Sales	**$1,467,296**	$1,329,263	$1,182,784
Increase in %/ previous year	**10.4%**	12.4%	9.5%
	($000)	($000)	($000)
Operating expenses	**$ 204,142**	$ 144,691	$ 128,411
% of expenses/sales	**13.9%**	10.9%	10.9%
	($000)	($000)	($000)
Net income	**$ 523,228**	$ 507,764	$ 443,383
% of net income/sales	**35.6%**	38.2%	37.5%
Self-serve stores in operation	**481**	460	443
Total stores in operation	**601**	591	592
Number of permanent employees	**3,476**	3,505	3,544
Number of regular products listed	**2,178**	2,107	2,103

Liquor Control Board of Ontario

55 Lake Shore Boulevard East
Toronto, Ontario M5E 1A4
September 1, 1983

The Honourable John Black Aird, O.C., Q.C., B.A., LL.D.
The Lieutenant Governor of Ontario
Queen's Park
Toronto, Ontario M7A 1A1

May It Please Your Honour,

The 57th Report and Financial Statements of the Liquor Control Board of Ontario are submitted herewith pursuant to Section 7 of The Liquor Control Act, 1975, as well as the report of the Provincial Auditor.

This report summarizes the Board's activities during the fiscal year ended March 31, 1983 and includes operational highlights for the year.

Overall the financial results were successful when viewed against the background of a serious recession which gripped the country. Although sales volume increased less than 1%, the $1.4 billion of sales through Board stores was a 10.4% increase over the previous year. Profits paid to the Treasurer of Ontario of $533 million were an increase of 6.1% and occurred after expending $46.5 million on construction costs of the new Distribution Warehouse in Whitby.

Operating expenses expressed as a percentage of sales rose to 13.9% as a result of the significant outlay of funds on the new warehouse project. All other expenses, in total, show an increase of only 8.9% over last year, which is in keeping with the Board's continuing efforts to monitor and control costs.

The number of retail stores in operation exceeded 600 for the first time during the past year. This is consistent with the Board's policy of responding to the needs of the public for responsible and efficient distribution of beverage alcohol products. Of the 601 stores at March 31, 1983, 80% were self-service underlying the commitment of better service to the public.

I wish to express my sincere thanks and appreciation to all employees of the Board for their conscientious efforts during the past year. The full and part-time Board Members — R.J. Harris, Vice-Chairman, F.H. Hooper, W.G. Newman and J.M. Thompson warrant special acknowledgement for their contributions and assistance.

I have the honour to be, Sir,

Your Obedient Servant,
William J. Bosworth,
Chairman

Sales

Total sales of spirits, wine and beer by Board stores during the fiscal year ended March 31, 1983, were $1,467,296,821. Of this total $207,180,540 or 14.1% consisted of sales to licensed establishments. Sales of Ontario wine made directly to customers by licensed retail wine stores and wineries in Ontario amounted to $32,792,391. The net value of beer sold in Ontario by breweries and brewers' retail outlets, exclusive of the cost of containers, totalled $982,557,438.

The following tables show increases (decreases) in sales for the fiscal year under review as compared with the previous year's totals:

Sales by Value

	Fiscal Year Ended March 31, 1983	Fiscal Year Ended March 31, 1982	Increase
Sales by Board Stores			
Canadian Spirits	**$804,568,205**	$731,626,636	$72,941,569
Imported Spirits	**224,852,963**	205,151,445	19,701,518
*Canadian Wines	**148,027,970**	125,319,366	22,708,604
Imported Wines	**215,182,624**	198,092,798	17,089,826
Canadian Beers	**60,471,657**	56,411,580	4,060,077
Imported Beers	**14,193,412**	12,661,380	1,532,432
Total Sales by Board Stores	**$1,467,296,831**	$1,329,263,205	$138,033,626
Sales by Ontario Wineries and Winery Stores	**$ 32,792,391**	$ 27,787,165	$ 5,005,226
Sales by Breweries and Brewers' Retail Stores (exclusive of container value)	**$ 982,557,438**	$ 825,415,158	$157,142,280

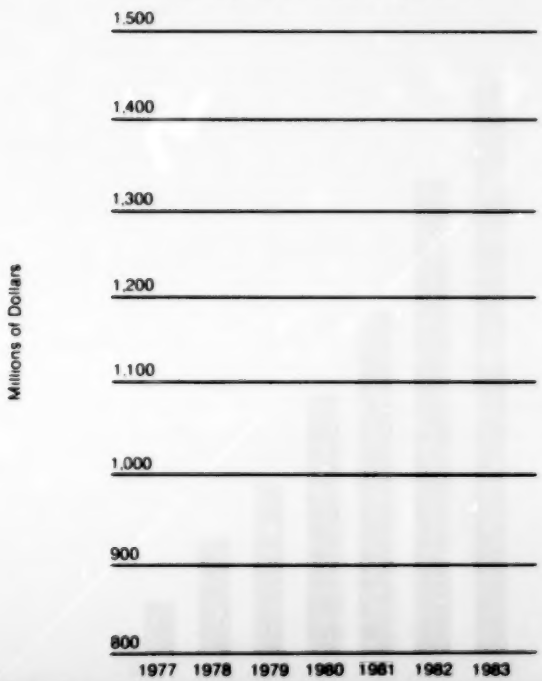
*Includes Ontario wine sales of $138,973,130 during fiscal year ended March 31, 1983 compared with $114,451,752 during previous year.

Sales by Gallons

	Fiscal Year Ended March 31, 1983	Fiscal Year Ended March 31, 1982	Increase (Decrease)
Sales by Board Stores			
Canadian Spirits	12,581,818	13,196,066	(614,248)
Imported Spirits	2,856,267	2,887,986	(31,719)
*Canadian Wines	7,866,489	6,994,354	872,135
Imported Wines	8,026,021	8,045,895	(19,874)
Canadian Beers	7,754,093	7,745,462	8,631
Imported Beers	1,371,048	1,263,253	105,795
Total Sales by Board Stores	40,455,736	40,135,016	320,720
Sales by Ontario Wineries and Winery Stores	1,800,966	1,608,429	192,537
Sales by Breweries and Brewers' Retail Stores	158,924,666	158,407,959	516,707

*Includes Ontario wine sales of 7,426,044 gallons during fiscal year ended March 31, 1983 compared with 6,407,081 gallons during previous fiscal year.

Liquor Control Board of Ontario Sales
March 31, 1977 - March 31, 1983



Revenue Payments

Levies on beverage alcohol sold in the province during the year contributed a total of $1,230,192,076 to the Treasurer of Ontario and the Government of Canada. This amount does not include corporation, realty and business taxes paid by the distilleries, wineries, breweries and licence holders. Ontario retail sales tax collected by licence holders and agency stores on sales of beverage alcohol is also excluded from these figures.

Of these payments, $533 million was remitted to the Treasurer of Ontario on account of Board profits, representing some three percent of the province's 1982-83 revenue. In addition, the Board paid $3,169,968 to Ontario municipalities as grants in lieu of realty and business taxes.

A summary of the forementioned revenue payments is as follows :

Treasurer of Ontario		
Remitted by the Board —		
on account of profits	$533,000,000	
Ontario Retail Sales Tax on sales through liquor stores	124,200,755	
	657,200,755	
Remitted by others —		
Ontario Retail Sales Tax on sales through retail wine stores and brewers' retail stores	74,714,529	$ 731,915,284
Government of Canada		
Paid by the Board —		
Customs and Excise Duties	242,540,263	
Federal Sales Tax on spirits, wines and imported beers	68,731,529	
	311,271,792	
Paid by others —		
Malt duties and taxes on domestic beers and wines	187,005,000	498,276,792
		1,230,192,076
Ontario Municipalities		
Paid by the Board —		
Grants in lieu of realty and business taxes		3,169,968
		$1,233,362,044

Breakdown of Average Retail Bottle Price for all Spirits & Wine sold by the L.C.B.O. during the Year Ende[illegible] March 31, 1983

	$ .89
	4.61
	.44
	1.54
	2.32
	$9.80 = Average retail bottle price

Summary

Supplier	$2.32 -	23.7%
Federal Gov't.	1.98 -	20.2%
Provincial Gov't.	5.50 -	56.1%
	$9.80	

Financial Statements

LIQUOR CONTROL BOARD OF ONTARIO
(Incorporated under the Liquor Control Act, 1975)

Balance Sheet

March 31, 1983

ASSETS

	1983	1982
	$	$
Current		
Cash	20,300,802	7,190,838
Accounts receivable, trade and others	3,550,497	2,288,234
Inventories, at cost	129,242,615	135,506,224
Prepaid expenses	959,793	855,795
	154,053,707	145,841,091
Fixed (note 1)	1	1
	154,053,708	145,841,092

LIABILITIES

Current		
Accounts payable and accrued liabilities	88,400,471	70,415,841
Retained income	65,653,237	75,425,251
	154,053,708	145,841,092

See accompanying notes to financial statements.

Approved: W. J. BOSWORTH, Chairman — F. A. MacINNIS, General Manager

Audit Report

To the Liquor Control Board of Ontario and
to the Minister of Consumer and Commercial Relations

I have examined the balance sheet of the Liquor Control Board of Ontario as at March 31, 1983 and the statments of income and retained income for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the position of the Board as at March 31, 1983 and the results of its operations for the year then ended in accordance with generally accepted accounting principles, as modified by Note 1 to the financial statements, applied on a basis consistent with that of the preceding year.

A report on the audit has been made to the Board and to the Minister.

Toronto, Ontario
August 29, 1983.

D.F. Archer, F.C.A.,
Provincial Auditor.

LIQUOR CONTROL OF ONTARIO

Statement of Income

Year ended March 31, 1983

	1983	1982
	$	$
Sales	1,467,296,832	1,329,263,205
Cost of sales	746,512,482	684,341,922
Gross income	720,784,350	644,921,283
Operating expenses		
Salaries and employee benefits	117,741,756	104,235,466
Rent	13,302,381	12,087,357
Repairs and maintenance	3,441,950	2,756,964
Grants in lieu of taxes	3,169,968	2,959,404
Utilities	3,479,299	3,251,992
Packing material	1,961,064	1,918,734
Stationery	1,041,593	1,058,995
Travelling	510,480	533,950
Stock breakage and losses	1,500,275	1,275,387
Agency commissions and expenses	878,742	814,028
Armour car services	932,393	790,266
Security services	121,367	142,152
Equipment rental and supplies	692,853	804,644
Telephone and telegraph	566,125	541,067
Other	4,040,801	3,115,768
Fixed assets written off	50,761,698	8,405,638
	204,142,745	144,691,812
Operating income	516,641,605	500,229,471
Other income		
Special occasion permit purchase fees	3,704,226	3,786,652
Interest on bank balances	1,829,559	2,775,982
Miscellaneous income	1,052,596	972,270
	6,586,381	7,534,904
Net income for the year	523,227,986	507,764,375

See accompanying notes to financial statements.

LIQUOR CONTROL BOARD OF ONTARIO

Statement of Retained Income

Year ended March 31, 1983

	1983	1982
	$	$
Balance at beginning of year	75,425,251	69,660,876
Add:		
Net income for the year	523,227,986	507,764,375
	598,653,237	577,425,251
Deduct:		
Payments to the Treasurer of Ontario on account of net income	533,000,000	502,000,000
Balance at end of year	65,653,237	75,425,251

See accompanying notes to financial statements.

LIQUOR CONTROL BOARD OF ONTARIO

Notes to Financial Statements

March 31, 1983

1. FIXED ASSETS

Fixed assets are expensed by the Board in the year of acquisition and are carried on the books at a nominal value of $1.00.

The total accumulated costs of fixed assets at year end, less disposals, are as follows:

	1983	1982
	$	$
Land	10,223,942	9,620,638
Buildings	55,439,169	53,747,942
Construction in process (Distribution Warehouse - Whitby) (note 2)	52,753,588	6,163,551
Furniture and equipment	11,076,053	10,543,154
Leasehold improvements	10,881,563	10,083,900
	140,374,315	90,159,185

2. CONSTRUCTION IN PROGRESS:
DISTRIBUTION WAREHOUSE - WHITBY

The Board is building a new automated warehouse in Whitby, Ontario with total costs estimated at $108,000,000 through 1984. Details of the expenditures are as follows:

	1983	1982
	$	$
Land	3,026,013	2,943,631
Building	49,711,194	3,219,920
Furniture and equipment	16,381	—
	52,753,588	6,163,551
Estimated costs to complete	55,246,412	101,836,449
	108,000,000	108,000,000

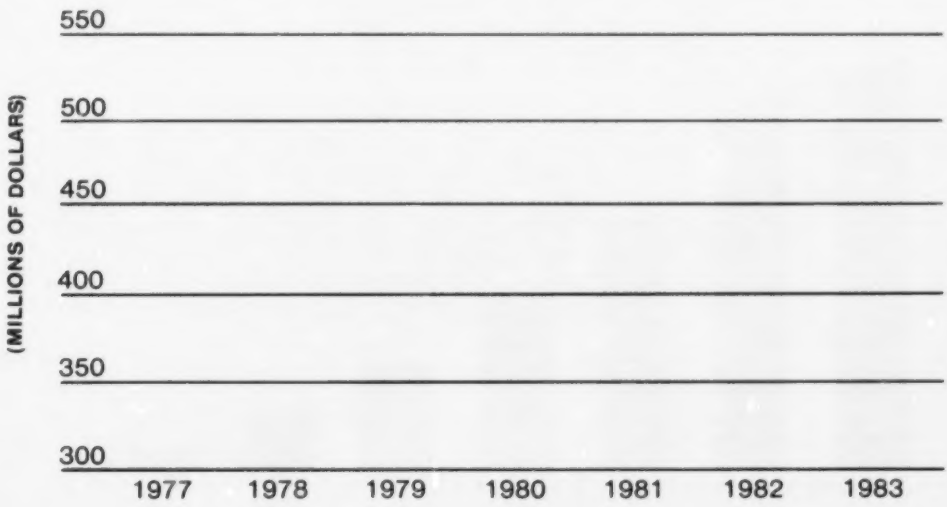
The Board expects to spend $46,000,000 during the 1983-84 fiscal year.

3. LEASE COMMITMENTS

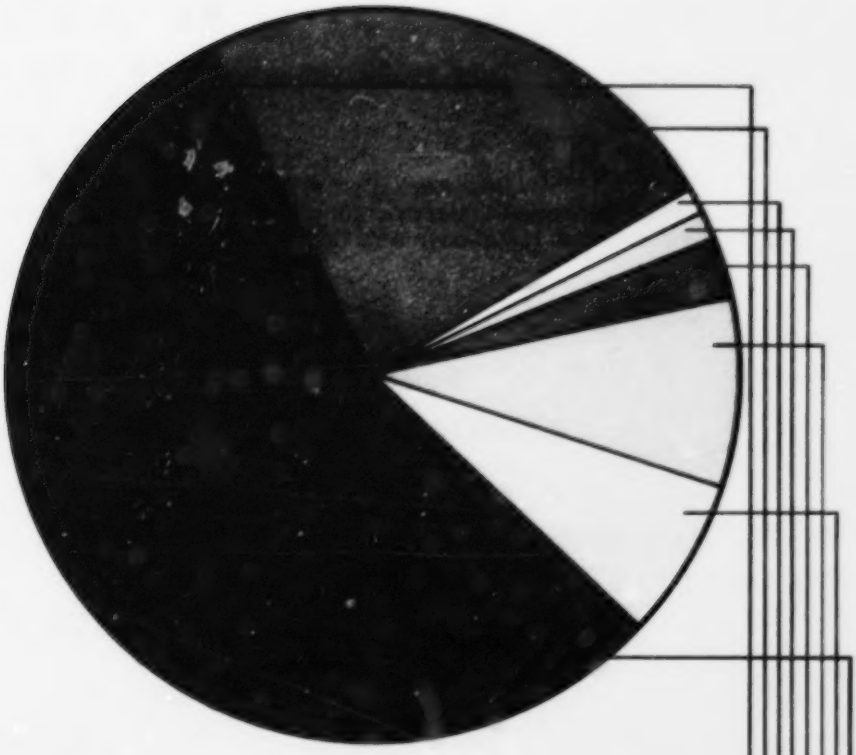
The Board is committed under operating leases on leased premises with future minimum rental payments due as follows:

	$
1984	9,800,000
1985	9,100,000
1986	6,900,000
1987	5,900,000
1988	4,700,000
Thereafter	13,500,000
	49,900,000

Profits Paid to the Treasurer of Ontario March 31, 1977 – March 31, 1983



Liquor Control Board of Ontario
Distribution of Gross Revenue
1982 — 1983



Receiver General Government of Canada 19.5%

Supplies 25.2%

Municipalities 0.2%

Fixed Assets 3.2% (Durham Warehouse 2.9%)

Freight 2.0%

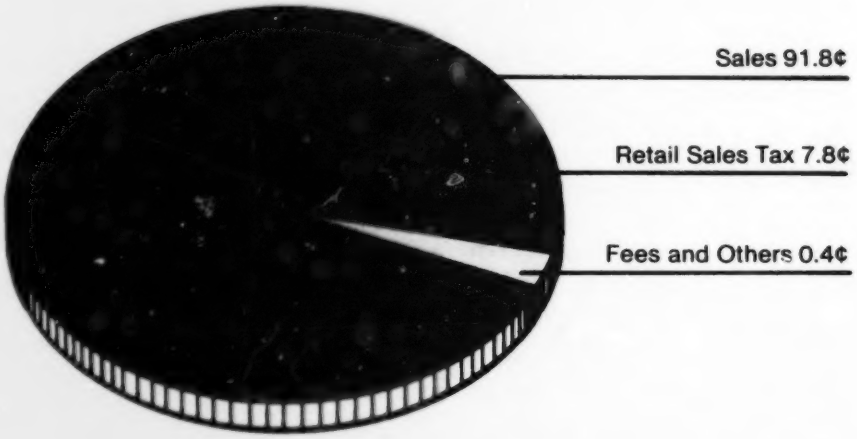
Administrative Costs 9.4%

Retail Sales Tax 7.8%

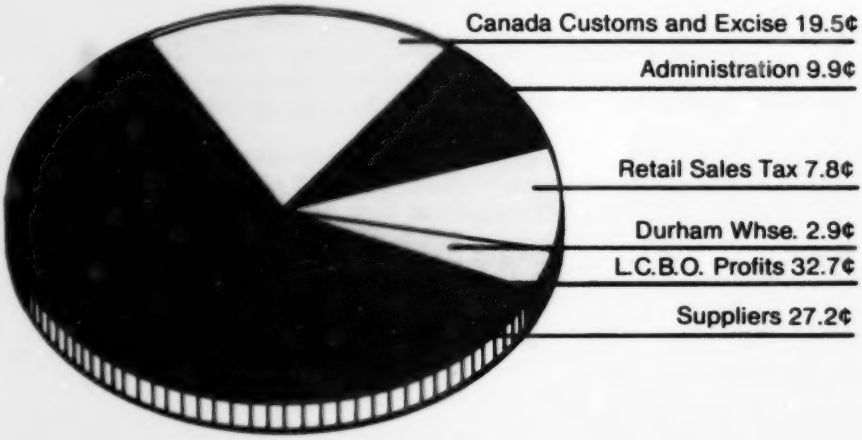
Treasurer, Province of Ontario Profits 32.7%

The L.C.B.O. Dollar
1982 - 1983

Where it came from



How it was spent



Stores' Operations

Board Stores

The Board operated 601 stores during the year including the distribution depot in Toronto, two duty-free stores at the Toronto International Airport and two Rare Wines and Spirits outlets.

Eleven new self-serve stores were opened at the following locations :

May	14, 1982	240 Leighland Avenue, Oakville L6H 3H6
May	25, 1982	180 Sandalwood Pwky., Brampton L6Z 1Y4
May	29, 1982	Main St., Hwy. 124, Dunchurch (S) P0A 1G0
June	11, 1982	900 Greenbank Road, Nepean K2J 1S8
June	19, 1982	P.O. Box 190, Pefferlaw (S) L0E 1N0
July	7, 1982	P.O. Box 129, Beachburg (S) K0J 1C0
September	29, 1982	2685 Iris Avenue, Ottawa K1V 0E8
October	8, 1982	6720 Meadowvale Town Centre Circle, Mississauga L5N 2R5
October	12, 1982	213 Danforth Avenue, Toronto M4K 1N2
November	5, 1982	45 Airport Road, Caledon East L0N 1E0
March	4, 1983	300 John Street, Thornhill L3T 5W4

(S) Denotes Summer Store

The following three stores were relocated and converted to self-serve operations during the year :

Store	From	To
332	P.O. Box 128	Box 120, Railway Ave., Nakina P0T 2H0
397	1198 Kennedy Road	2300 Lawrence Avenue East, Scarborough M1P 2R4
400	1751 Russell Road	1910 St. Laurent Blvd., Ottawa K1G 1A4

Other changes to store operations during the year included the converting of an additional 8 conventional Board stores to self-serve operation at their existing locations and the closing of Store No. 453 at 860 Aberdeen Street, Hawkesbury.

In keeping with the Board's policy of conversion to self-serve operations, there were 481 self-serve stores at March 31, 1983, representing 80 percent of the Board's total number of stores at fiscal year-end.

Agency Stores

During the year, two agency stores were reopened and two stores were closed. In addition, one agency store changed ownership. As at March 31, 1983, there were 67 agency stores in operation.

Breweries and Brewers' Retail Stores

Four new brewers' retail stores were opened at the following locations :

June	17, 1982	180 Sandalwood Pkwy., Brampton L6Z 1Y4
June	17, 1982	Main Street, Sauble Beach N0H 2G0
October	4, 1982	6720 Meadowvale Town Centre Circle, Mississauga L5N 2R5
November	4, 1982	1067 Wellington Road South, London N6E 2H5

The number of stores in operation as of March 31, 1983 was 445.

Sales by Breweries to Other Provinces and Countries

(in gallons)

	1983	1982	1981	1980	1979
Sales to Other Provinces	440,726	379,517	407,444	350,064	367,761
Export Sales	23,329,790	21,687,065	21,435,453	22,404,473	18,597,450
	23,770,516	22,066,582	21,842,897	22,754,537	18,965,211

All brands of beer produced by the 16 breweries which are licensed to sell beer in Ontario were analysed on a rotational basis by the Board, as in previous years. This quality control process ensured that beer sold in the province conforms with the regulatons passed pursuant to The Food and Drug Act of Canada, 1953, and the standards set by the Board.

Wineries and Winery Retail Stores

The number of wineries in operation at fiscal year end was unchanged from the previous year at 12.

There was a net increase of 34 winery retail stores during the year as a total of 154 wine stores (87 regular and 67 mini stores) were in operation throughout Ontario at March 31, 1983.

Sales by Wineries to Other Provinces and Countries

(in gallons)

	1983	1982	1981	1980	1979
Sales to Other Provinces	1,794,434	2,204,887	2,005,301	2,360,801	2,698,785
Export Sales	85,437	157,907	122,225	42,049	76,221
	1,879,871	2,362,794	2,127,526	2,402,850	2,775,006

The tonnage of Ontario grapes and apples used by the various Ontario wineries over the past five years is as follows:

	1983	1982	1981	1980	1979
Grapes used in the manufacture of wine	36,103	35,741	40,241	43,011	44,470
Grapes used in the manufacture of concentrate	1,326	2,698	4,331	1,252	3,817
Apples used in the manufacture of cider	552	164	588	376	608
	37,981	38,803	45,160	44,639	48,895

The following quantities of wine (in gallons) were imported for blending in accordance with the conditions of the Wine Content Act, 1976 :

1983	1982	1981	1980	1979
786,395	843,078	675,446	414,143	240,150

Warehousing & Distribution

The Distribution Warehouse Project progressed through the 1982-83 fiscal year both on schedule and on budget. Building construction was 40% completed and virtually all Tenders have been issued to cover building construction. Much of the materials handling equipment has been designed and proto-types of major pieces of equipment have been developed. Computer hardware has been purchased and the systems design essentially finalized. Warehouse operating procedures were 90% completed and an employee move program was developed to allow a smooth transition for Toronto Warehousing Staff to the Durham Region.

In the next fiscal year, the building will be completed, computer systems developed, materials handling equipment installed and the manufacturers testing of the equipment will begin.

Warehousing Staff will develop detailed training, testing and conversion programs.

Total shipment activity for the year from the Board's distribution warehouses was 12,935,000 cases representing a modest growth of 2%.

Improvements in the computer system were implemented allowing for automation of purchase orders and receiving information. The impact has been positive as fewer stock out situations have resulted at the warehouse level which has meant improved service levels to Board stores and better customer service at the retail level.

Products

The Liquor Control Board of Ontario lists products from most countries of the world. This varied selection, as listed below, is regarded internationally among the best available.

A modern laboratory verifies the chemical acceptability of these products sold by the Board. Sophisticated technology and equipment is used to detect unwanted substances that are contrary to the Federal Food and Drug Regulations. Control over flavour integrity and shelf-life potential of products is exercised by ongoing tastings. Checks are also extended to products bottled by the Board to ensure quality brands, meeting LCBO standards, are offered to the public.

L.C.B.O. Product Listings as at March 31, 1983

Domestic	
Canadian Whisky	177
Canadian Blended Rums	103
Canadian Gin	70
Canadian Vodka	73
Canadian Brandy	7
Canadian Blended Brandy	15
Alcohol	5
Fruit Spirits	4
Miscellaneous Liquors	7
Canadian Liqueurs	112
Ontario Wine	543
Other Canadian Wine	17
Canadian Cider	7
Canadian Beer	5
Specialty Items	1
	1,146

Imported	
Whisky — Scotch	102
— Irish	2
— Bourbon	3
— Tennessee	2
Gin	11
Rum	18
Vodka	6
Tequila	5
Brandy	51
Fruit Spirits	6
Miscellaneous Liquors	23
Liqueurs	56
Wine	691
Cider	4
Beer & Sake	25
Specialty Items	27
	1,032

Total Regular Listings	2,178
Rare Wine and Spirits	417
Duty Free Listings	61
Total Product Listings	2,656

Personnel

The number of Board members and permanent employees of the various divisions of the Board as of March 31, 1983 is as follows:

Board Members	5
Staff of Departments	
Chairman's Office	1
General Manager	22
Accounting	58
Audit	45
Bottling	20
Building Maintenance	16
Data Processing	46
Distribution Analysis	7
Laboratory	10
Legal	2
Mail & Multigraph	8
Personnel	24
Planning	5
Product Administration	30
Properties Management	15
Purchasing	2
Records Management	4
Security Services	5
Stores	2,757*
Store Operations	43
Warehouses	340
Warehouse Administration	16
	3,476

* Includes 137 disabled employees receiving long term income protection benefits.

In addition there were 1,841 temporary employees as of March 31, 1983, of this total 1,815 were employed in Board stores.

The year saw a continuation of employee training and development in support of the Board's overall objective to serve the Ontario consumer effectively and efficiently with courteous and informed staff.

POOR

QUALITY

ORIGINAL